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SIPDIS

DEPARTMENT FOR SA/FO, SA/A  
TREASURY FOR PARAMESWARAN  
NSC FOR AHARRIMAN, KAMEND  
CJTF-76 FOR POLAD, CENTCOM FOR CG CFC-A  
COMMERCE FOR AADLER

SENSITIVE

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SUBJECT: DUELING AFGAN CHAMBERS OF COMMERCE

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Summary  
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1. (SBU) An ongoing battle between the AID-supported Afghan International Chamber of Commerce (AICC) and the GTZ-supported Afghan Chamber of Commerce and Industry is heating up with a proposed law that would effectively eliminate the AICC, dealing a significant blow to the development of an independent voice for the private sector in Afghanistan. The Mission wholeheartedly supports the AICC in this debate and is voicing strong opposition to this law, as well as any chamber reform initiative that would weaken the newly-established AICC or any other independent business association. End Summary.

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A New Chamber for New Afghanistan  
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2. (U) A national chamber of commerce has long existed in Afghanistan. The Soviet-style Afghan Chamber of Commerce and Industry (ACCI) was established in the 1970s and, while it represents itself as an independent voice for the private sector, in reality it falls under the supervision of the Ministry of Commerce. ACCI's membership base consists largely of insolvent state-owned enterprises.

3. (SBU) During the Soviet era, one of ACCI's principal responsibilities involved valuing goods imported into Afghanistan, a value used by Customs to assess duties. For this service ACCI collected a hefty two percent fee. On the recommendation of USAID's customs advisor, this service was discontinued in 2002 because of ACCI's tendency to significantly undervalue imported goods to the benefit of its members. Without this source of revenue, ACCI relies on a limited operating budget provided by the Ministry. Though the ACCI has a presence in every province of the country, it is largely moribund. It is estimated to have over 300 employees on the payroll, who even Ministry representatives admit do essentially nothing. The ACCI is also said to own over \$1.5 million in property across the country, though the organization has never been formally audited.

4. (U) Frustrated by the Communist-era mentality and lack of initiative at the ACCI, several Afghan businessmen opted to create a new organization to support private investment based on the principals of a free market. In 2004, the Afghan International Chamber of Commerce (AICC) was established as an independent voice for the private sector. The AICC represents over 2500 businesspeople through eighteen affiliated organizations, including the Afghan Builders Association, the Afghan Womens Business Federation and the Afghan American Chamber of Commerce, all of whose leaders sit on the AICC board.

5. (U) The AICC provides its members with business development services and engages in public policy advocacy and investment and trade promotion. In April 2004, USAID provided the Center International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce and National Endowment for Democracy core grantee, with USD 6 million over three years to build the capacity and professionalism of the AICC and promote its sustainability.

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The German Approach  
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6. (SBU) While USAID has long felt that the ACCI should be dissolved, the German government, through its development partner GTZ, is funding a project to reform it. The

project is providing the ACCI with capacity building training and has also created an ACCI Reform Commission to examine the structure and role of the Chamber, its relationship to other business organizations in Afghanistan and a new chamber law.

17. (SBU) The Commission initially excluded the AICC, who secured participation for three members only through the intervention of Mahmood Karzai, Chairman of the Afghan American Chamber of Commerce and brother of President Karzai. In Commission discussions, the AICC has expressed its preference for an independent chamber, but has agreed to work with a separate, reformed ACCI should the Commission recommend it. Karzai submitted a concept paper detailing the potential functions of a reformed ACCI and its relationship with AICC, but recommended that any chamber should be a voluntary, non-governmental organization.

18. (U) The Reform Commission initially recommended the merging of AICC and ACCI, without detailing how such a merger would take place. It has now tabled a business association law that will authorize a government-supported Afghan Chamber of Commerce and Industry to become the exclusive business organization for the private sector. This law is modeled on German chamber law, which mandates a single, government-supported Chamber of Commerce which all businesses must be members of.

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Legislative Implications  
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19. (U) The proposed law would establish the ACCI as Afghanistans single representative interest for businesses in Afghanistan. Participation would be mandatory. It also gives the GOA the right to dissolve any other organizations that use the name Chamber of Commerce, such as the AICC. The draft also states that the Government may assign specific sovereign tasks to the Chamber.

10. (SBU) The implications of this legislation are grave. At best, the AICC faces isolation; at worst, dissolution. The new Chamber, under whatever name, will essentially continue to function as the ACCI has in the past; as a mouthpiece for the government.

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Symptoms of a Larger Debate  
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11. (SBU) The debate on the chamber law speaks to differences between the U.S. and German economic development strategies in Afghanistan. It also illustrates what is increasingly perceived by the business community as a sharp dichotomy in the rhetoric of the Ministry of Commerce and facts on the ground. Commerce Minister Arsalas interest in reviving a GoA-controlled ACCI reflects a worldview that government should play a strong and paternalistic role in guiding the growth of Afghanistans nascent private sector. It also demonstrates the ongoing debate within the senior GoA bureaucracy on the merits of a German-style model of close coordination between private sector and government verses the U.S. arms-length model. (Note: The German government is also funding the Afghan Investment Support Agency, a MoC affiliate that serves as a business promotion and investment licensing entity. End Note) Arsalas preference for a malleable Chamber of Commerce more likely to toe the GoA line also relates to the increasingly vocal criticism leveled by the exuberantly independent AICC at the GoAs failure to consult with the private sector in a number of sensitive areas, including tax policy and the drafting of fundamental commercial and investment legislation.

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What Will We Do About This?  
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12. (SBU) Mission policy is to promote a private, non-government affiliated Chamber of Commerce that is governed by elected leadership and has a voluntary membership. We will not support any proposed legislation that would position ACCI as a state-controlled chamber of commerce and prevent the establishment of any other chamber of commerce. Mission members have been outspoken of this policy, in meetings with the Ministry of Commerce, GTZ, and other donors such as UNDP, who, at the Ministrys behest, are beginning to channel funding for various projects through the ACCI. We will continue to press this with these partners.

13. (SBU) As the new Parliament sits on December 19, it is unlikely that the proposed chamber law will be passed by decree. It will instead face the uncharted territory of a new and likely contentious legislative process. Post will monitor this initiative and engage when and where appropriate to express our concerns. Post will also encourage both Ministry of Commerce officials and the AICC to build a productive relationship that will better support private sector growth in Afghanistan.

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